

[REDACTED]

[REDACTED]

[REDACTED]

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The evidence submitted indicates that you were incorporated [REDACTED], under the laws of [REDACTED]. Your Articles of Incorporation state at Article [REDACTED], Section [REDACTED], "that the sole purpose for which this corporation is formed is to advertise by any means or media the products and services of [REDACTED] franchised dealers, members of the corporation as contemplated by section 501(c)(6) of the Internal Revenue Code."

Your articles further state that the corporation was formed "to foster and promote retail trade and commerce in connection with the products and services of the members, to protect the same from unjust and unlawful exactions and impositions and to promote the interests of persons, firms and corporations engaged in the retailing of [REDACTED] vehicles in the [REDACTED] area."

You state in your application that your primary activity will be to conduct an advertising campaign through local newspaper and radio and television facilities to promote [REDACTED] automotive products and services.

Membership in your organization consists of automotive dealerships in the area that sell [REDACTED] automobiles. Revenues for your organization will come from dues assessed to your member dealers. Expenses are projected for administrative fees, legal and accounting and direct advertising.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	11-9-83	11/9/83	11/9/83				

[REDACTED]

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 67-77, published in Cumulative Bulletin 1967-1, on page 138, held that an organization composed of dealers of a certain make of automobile in a designated area organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile was not entitled to exemption under section 501(c)(6). The rationale of this denial of exemption was that the organization was performing particular services for its members.

In National Muffler Dealers' Association v. U.S. 440 U.S. 472 (1979), a trade association confined its membership to dealers franchised by a particular company and its activities to the business of that company. In this case, the court ruled that the organization was not entitled to exemption under section 501(c)(6) since its activities and membership does not serve the industry as a whole but only a segment of a line of business.

Our review of the application filed by your organization indicates that you are not entitled to exemption under section 501(c)(6) since your membership is limited to franchisees of [REDACTED] automobiles and does not include members of the automobile industry as a whole from within the community. Under this type of operation, your organization does not meet the requirement that your activities improve conditions in one or more lines of business and your activities do not serve the automobile industry as a whole, but only the members of your association.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.